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ABSTRACT

Corporate education and its challenge to traditional higher education institutions are discussed. Two of the four basic missions of advanced education are the same at corporations and colleges: research and training. Educational programs offered by corporations range from the remedial to the doctoral and include educational skills development, general education, professional training, and advanced instruction in scientific and management studies. It is noted that corporations must contract for educational programs and colleges can provide business with educational programs at less fixed cost and higher quality. There are three models of relationships that colleges and business can undertake: straight contracts, joint ventures, and quid pro quo. Examples of each type of relationship are cited. It is concluded that colleges are realizing that they have not been meeting the needs of corporate employers for education and training. Colleges also recognize that the market of 18- to 22-year-olds is declining, while employees seeking continuing education is an expanding market. On the other hand, it is suggested that the commitment to education is not universally sustained by corporations. (SW)

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The \$40 Billion Question - Who Will Train

for the Corporate Future?

American Society for Training and Development,

Long Island Chapter, Bethpage, N.Y.

February 10, 1987

Introduction

Good evening, and thank you Eileen Mulvey. I have great respect for what you do. When I was at Cornell, I introduced training programs for middle managers and have studied the training available at Xerox in Leesburg, Va., IBM at Armonk, and Lilly at Indianapolis. In every case, corporate trainers are challenging my world as a college president.

You are part of a revolution! For the first time in our history, higher education is not the leader in providing services for a new population of Americans seeking advanced education. American corporations are challenging this traditional role. For now, as you know, there are as many persons in corporate training and education as there are in traditional four-year colleges and universities. Yes, there are more than 8 million "students" in each sector, and expenditures in each are nearly the same.

Thesis

The \$40 billion a year corporate training industry represents a radical challenge to traditional higher education - to my world. But the challenge is not for dollars alone. It is more fundamental than that. For the first time, a major new population requiring education and training is having its needs met by organizations other than schools, colleges, and universities, or extensions from them. That population is employed by America's commerce and industry, and it is being trained by you!

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However, I have not given up. The market you have captured is not secure, even if the "students" are in your offices. Corporate investment in training and research -- two of the traditional missions of higher education -- is fickle. Who can be confident that corporate investment in these areas will remain a high priority, when costs must be curtailed and investors are mostly concerned with short-term results?

Background

Let's take a look at some indicators of higher education's status and why it might be aroused by your challenge. Then, let's look at the status of corporate training and education. Finally, we will discuss the challenges to your world and some possible alternatives to the way we coexist.

The sheets before you convey the stark realities about contemporary higher education. Table 1 shows the tremendous fall-off in the traditional source of students. This pattern - the rollercoaster - can be seen throughout the country in varying degrees, with the most severe slopes occurring in the northeast. The numbers are telling. All those native-born Americans who might be first-year students in the next few years are already born. And we know there are fewer of them and that the composition of these populations has changed. Minority persons, especially Blacks and Hispanics, will soon represent more than one-third of high school students in some traditional suburban areas, and more than two-thirds of students in some states. Only immigration can increase the number of high school graduates. As you might expect, competition by colleges for these young people will become intense. And industry and the military try to reach the same group.

However, as Table 2 shows, the number of older persons already employed and seeking continuing education or first time professional education represents a large, and heretofore largely ignored, market for colleges and universities.

Table 3 provides a brief summary of the major new populations seeking higher education over the history of the U.S., and the federal initiatives designed to reach them. It is interesting to speculate on the reasons for the growth of corporate education and why it has become an equal partner with traditional higher education. Perhaps it is because corporations believe that you offer training for competitiveness, and that we do not.

How did we get here?

How did we get to this point? After all, as Table 3 shows vividly, higher education has addressed the nation's needs consistently for two hundred years. I believe there are two fundamental and related reasons. First, colleges have tried to do everything on their own. It's as if every college were a research lab, production site, marketing force, and service center all in one. Cooperation was a foreign term. You know all too well that this model has outlived its usefulness. Joint ventures and licensing are a way of life at your firms.

Second, colleges and universities have assumed that everyone else would meet their schedule for instruction on Monday, Wednesday and Friday at 10:00 a.m. Too bad if "students" are working at a corporate site at those hours. That's when the faculty would teach. So, for reasons of isolation and a form of self-satisfied arrogance, American colleges and universities were unavailable when the new populations of potential students -- i.e., those employed by you -- were ready to be taught.

In response, American industry had to develop its own programs.

Corporate education

Corporate education comes in all shapes and varieties. Two of the four basic missions of advanced education are the same at corporations and colleges: research and teaching. Only public service and developing the framework for an ideal democratic society are the strict preserve of colleges.

Educational programs offered by corporations range from the remedial to the doctoral. In fact, eighteen companies now offer graduate degrees, including the Ph.D. by Rand and the masters by A.D. Little and Wang. This number is expected to double in 3 years.

Corporate educational programs provide basic educational skills development, general education, professional training, and advanced instruction in scientific and management studies.

Corporate education, with its 8 million-plus students and close to \$80 billion investment, when the salaries and benefits of all participants are included, challenges traditional higher education and has implications for business itself.

1. Corporate education is supported by the public - through taxes and prices - yet can be very narrowly conceived, with no public accountability.
2. Corporate education represents a challenge to the nation's schools.

It is unacceptable that corporations must offer remedial instruction in basic skills, when the public now spends \$130 billion a year on public education. Surely this challenges the effectiveness of school boards and educators.

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3. Corporate education has done much more than traditional higher education to use technology -- video cassettes, microcomputers, etc. -- to improve the content and quality of teaching.
4. Corporate education has shown that new teaching schedules, which are designed to fulfill the objectives of the course, rather than the preferences of the instructor, can work.
5. Corporate education is much more sophisticated in its evaluation of both faculty and curricula. Advisory boards are more likely to be employed. Assessment is more typical.
6. In a related area, corporate education has supported research into learning and teaching methods, and tested the results more systematically than universities. The bottom line is a great incentive to learn if methods work!
7. For these reasons, corporate education has raised questions about traditional ways of offering continuing education to adults. Colleges typically treat adults as if they were 18.
8. Finally, corporate education challenges traditional higher education to clarify its objectives. Who is to be served? And where? And when? And how? And why?

Examples abound to illustrate the scale and scope of corporate education -- portrayed in detail in Nell Eurich's 1985 book entitled Corporate Classrooms: The Learning Business (CPAT, Princeton). Banking and insurance have long been strong supporters of corporate education of all kinds -- compensatory education, company orientation, recruitment and benefits education, and advanced training in professional subjects. Companies which are major investors in research and development are also major investors in human resource development: IBM, A.T.&T., Hewlett Packard, Texas Instruments, DEC, Control Data, Wang.

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In 1984, IBM spent close to \$700 million on training; technical specialists, professionals, and managers are required to take 40 hours of instruction per year. Before divestiture, A.T.&T. spent \$2 billion on training in 1982. It offered 12,000 courses in 1300 locations.

Challenges to Corporate Education

But you know the challenges to corporate education. With economic difficulties, expenditures can decline. For some companies, the philosophy that competitiveness requires investment in education for people, and investment in research for knowledge, seems like a platitude. But the firms cited in In Search for Excellence and The 100 Best Companies did not give strong support to corporate education.

With the need to control costs, with human development efforts often among the first, after planning, to be cut, and with the need for education becoming increasingly complex, corporate education faces severe tests.

The reasons are clear. You build capacity to teach special topics, and then you conceive of other topics to teach to use excess capacity. As a result, courses proliferate and corporate budget cutters are inspired.

Incentives for Colleges to Compete

Another reason for corporate education to feel challenged is that colleges and universities are learning to compete. Remember the "teenage rollercoaster" and the population profile shown in Table 1? Colleges may be late to do their part for competitiveness, but they are awakened to the challenge. After all, they have two powerful incentives: students and money. They

are becoming defensive about traditional markets and aggressive in seeking new markets. The reason -- revenue! And we will compete in all sorts of ways. For example, we will offer any active member of our alumni association -- with "active" defined by an increasing scale of annual giving -- the opportunity to take any course free on a space available basis. So our alumnus who might have taken a course with you will have an option - for "free" - with us.

Possibilities for the Future

But this \$40 Billion Issue does not have to be decided by a slugfest. Instead, we can combine efforts. After all, if you have to contract - becoming brokers, or managers of contracts, more than managers of staff -- and if we can provide what you need at less fixed cost and higher quality, then we ought to talk. In other words, we should find ways to minimize our respective losses and maximize our respective gains by working together. There are three models of relationship we might consider: straight contracts, joint ventures, and quid pro quo. I use them all.

Straight contracts

Contact a college -- not just a professor, but the college president, and tell him or her what you need. You'll be surprised at how enterprising colleges can be these days. For example, we offer courses of every length to teach people of all ages and stations how to use the personal computer. In addition to degree credit semester-long courses, we offer variable length custom courses on our campus, or at a company's site, for secretaries, CEO's, and everyone in between. We are in the final stages of a contract with Bank Negara Indonesia to provide training in English as a Second Language

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and American Culture and Society, with an emphasis on business, for bank employees who are sent to the U.S. for one year of preparation before they enter an MBA program.

Joint Ventures

We are about to sign a contract with Laura Ashley which will provide each of us with important gains. Laura Ashley has two IBM 38's, and like many firms, has trouble finding programmers for them. The reason few people have learned to program the 38 is that few colleges can afford to own it. So, we are about to sign an agreement with Laura Ashley which will give us generous access to the 38 so we can teach people for them -- and for others as well. The benefits to each of us are enormous in terms of new capacity at less than current market prices.

Quid Pro Quo

The third type of arrangement we are using is the quid pro quo. For Shortline, a major commuter bus company, we will provide training and consulting in market analysis and management information systems in exchange for donations to our scholarship program.

Another quid pro quo arrangement is being discussed with Sony. In this case, the arrangement proposed is that we teach Japanese language, history and culture to American employees, and Sony will contribute to our equipment inventory. And we will teach at Sony!

Conclusion

Colleges are waking up to the fact that they have not been meeting the needs of corporate employers for education and training. And they are learning

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that you are advanced in what you teach, how you teach and when you teach. More to the point, they recognize that the market of 18-22 year olds is declining rapidly and you have the market which is expanding. At the same time, you are recognizing that the commitment to education is not universally sustained by corporations. For every Xerox with its corporate education center, there is a Bank America whose plans for corporate education are delayed, curtailed, or cut.

So I urge you to give priority to a role you already have, but don't always emphasize. Be a broker of training, a manager of training contracts. Call your local college and see how it can help you train for the corporate future. We want your business, and can earn it.
Thank you.

mc

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THE \$40 BILLION DOLLAR QUESTION:

WHO WILL TRAIN FOR THE CORPORATE FUTURE?

Dr. Robert A. Scott, President

Ramapo College of New Jersey

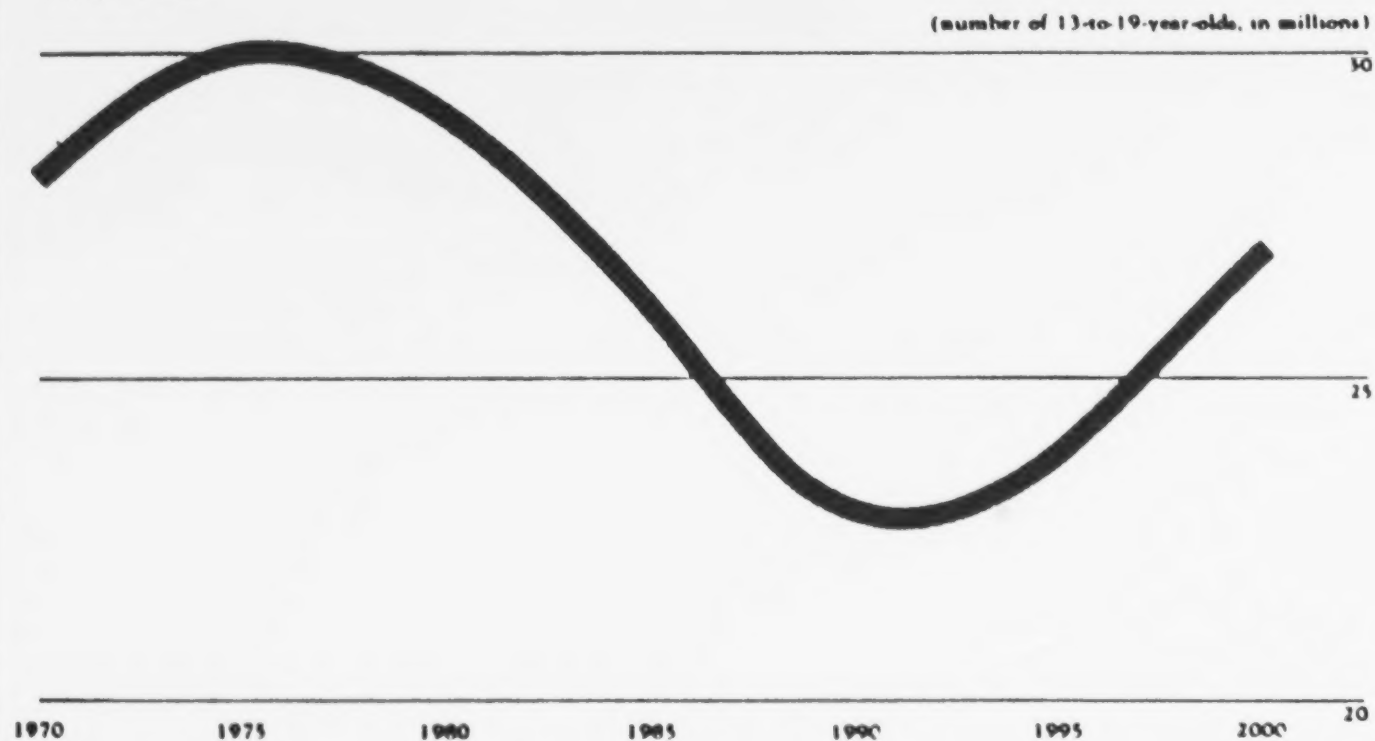
Attachments

Table 1	The Teenage Rollercoaster
Table 2	Changing Demographics by Age Group
Table 3	Colleges Respond to Social Needs

Table 1

TEENAGE ROLLERCOASTER

The number of Americans aged 13 to 19 peaked in the mid-seventies and will decline through the early 1990s.

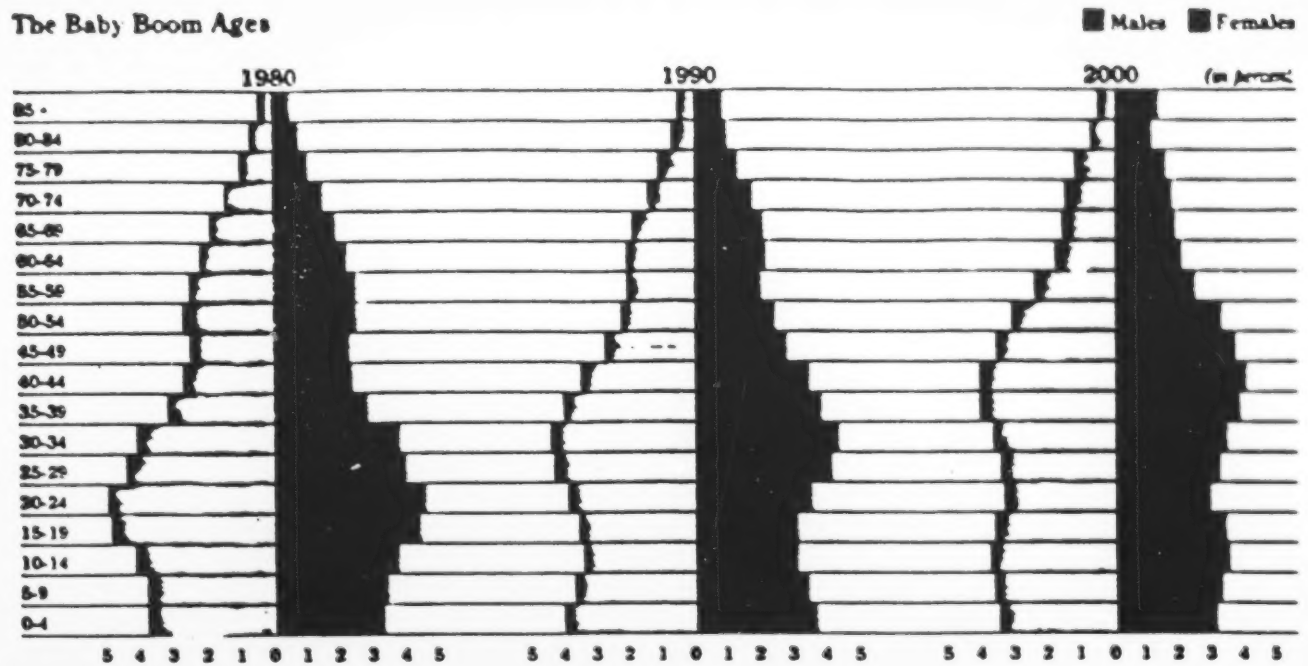


Source: Projections of the Population of the United States, by Age, Sex and Race 1981 to 2040 Current Population Reports, Series P 23 No. 952, U.S. Bureau of the Census

Table 1

Table 2

The Baby Boom Ages



Source: American Demographics, January 1983

Table 3

Colleges Respond to Social Needs

<u>1787</u>	Northwest Ordinance - population dispersal
<u>1862</u>	Morrill Act - scientific agriculture
<u>1944</u>	G.I. Bill - servicemen's readjustment
<u>1958</u>	National Defense Education Act - response to Sputnik
<u>1972</u>	Basic Educational Opportunity Grants - equal opportunity
<u>1986</u>	U. S. Competitiveness - is it too late for American higher education to respond?